Pay deal in the German public sector

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A nationwide strike by three million German public sector workers was averted at the last minute on January 9. National, state and local authorities agreed on a wage deal with the public sector trade union Ver.di that evening. The following day the trade union pay commission agreed to the agreement, with 106 votes in favour, 18 against and 5 abstentions.

Ver.di threatened to strike after employers rejected a settlement on January 6 that had been agreed by mediators and accepted by the trade union side. The latest deal is somewhat less than the package offered Monday, but substantial enough to allow the chairman of Ver.di, Frank Bsirske, to save face.

Bsirske defended the settlement with the declaration, “We are approaching the three percent.” He had previously insisted that the union was not prepared to accept any offer less than three percent. In reality, the deal approximates the zero wage package insisted on by the employers.

It envisages a wage increase of 2.4 percent for the current year, with an extra one percent at the beginning and again in the middle of 2004. A single extra payment will be made to compensate workers for the last two months of 2002. In addition, wages in the former East Germany, which still lag behind rates in the west of the country, are supposed to reach the western rate between 2007 and 2009.

The wage agreement is to run for a total of 27 months—a concession regarded as a victory for the employers. On a yearly basis, the increase amounts to less than two percent, which roughly parallels current inflation levels. The pay rise is accompanied by additional concessions. For example, the automatic increase built into wage rates (based on the age of the employee) will be halved over the next two years.

In addition, all employees are expected to sacrifice one holiday, and wages will be paid at the end instead of the middle of the month. This is equivalent to an additional half-month’s saving for the employers.

The agreement deal was preceded by an aggressive, and at times hysterical campaign against the Ver.di wage demand. German Interior Minister Otto Schily (SPD—Social Democratic Party) led the discussions for the employers and repeatedly threatened a zero wage package plus redundancies. In the middle of the negotiations, the state government of Berlin, a coalition of the SPD and the Party of Democratic Socialism (PDS), withdrew from the national employers’ organisation in a move that freed them from having to accept the result of the national talks.

Business representatives and many newspaper commentaries called on the employers to accept a strike rather than make any concessions to the unions. On January 7 the *Süddeutsche Zeitung* published a commentary under the headline “If Necessary, a Strike.” It said, “In the short term it is almost always cheaper to avoid a strike through economically unreasonable wage concessions, but in the long term this can have disastrous consequences. Therefore, it is sometimes better for the economy to hold out in the face of industrial action rather than come to an agreement too quickly.”

The German Institute for Economic Research (DIW), which never misses an opportunity to warn of dangers to the economy, recommended that employers take a hard line in the negotiations and declared: “Even a protracted strike in the public service would not have a significant effect on the economic situation.”

The peak of the campaign against public sector workers came with an article by veteran Social Democrat and former chancellor Helmut Schmidt. The article appeared on the front page of the *Die Zeit* magazine, one day before the final deal, with the provocative headline “Down with Blackmail.” Schmidt declared that there was absolutely no justification for a strike “against the public interest.” The national treasury was empty, he said.

“In such a situation, what is necessary is political drive—and courage,” the former chancellor wrote. “Should the strike take place and last three to four weeks, as a high-ranking Ver.di functionary warned, then those in the federal and state governments have a chance to demonstrate their ability to act. There must finally be an end to blanket national wage regulations and other national ‘generally binding’ tariffs.”

Schmidt applauded the decision by the Berlin Senate to quit the employers’ federation, because, he went on to say, the existing system serves only to “cement organisational and bureaucratic power, on both the employers organisations’ side and that of the trade unions.” He concluded by declaring that he still had regard “for the high value of free trade unions,” but he was “opposed to blackmailing the population.”

The settlement was praised by a few trade union functionaries, such as the chairman of the German trade union federation (DGB), Michael Sommer, who expressed his relief that there would be no strike. Chancellor Gerhard Schröder also declared his satisfaction with the deal, which he described as “thoroughly reasonable” and “just about tolerable from the standpoint of public finances.”

In the discussions on the deal itself, Schröder took a back seat and left the dirty work to his interior minister, Schily. Schröder is relying on the support of the trade unions for his plans for the introduction of an extensive cheap labour sector, combined with cuts in social welfare support.

Most of the trade union rank and file supported the deal through clenched teeth, convinced that Ver.di would not get much more even with a strike. However, from the ranks of business, the political opposition and state and local representatives, a volley of hostile fire was directed against the settlement.

One of the first to comment was the ex-president of the German business association, Hans-Olaf Henkel, who declared that the deal would cost 100,000 jobs. The head of the Free Democratic Party (FDP), Guido Westerwelle, criticised public authorities for giving into "blackmail" by the Ver.di union. The chair of the Christian Democratic Union (CDU), Angela Merkel, indicated her relief that a strike had been avoided, but declared that the price was too high. The deal was also criticised by leading representatives of the German banks and financial institutions.

Representatives of the individual states and local authorities reacted to the deal by declaring that they would implement drastic reductions in public services, together with additional reductions in personnel. The mayor of the city of Magdeburg, Lutz Trümper (SPD), announced that between 400 and 500 posts would be cut by the year 2006. The business manager of the city and local authority for the state of Thuringia, Thomas Lenz, said that the deal far exceeded the budgets of the authorities in the east of the country. "We do not have the money. We have to compensate for every wage and salary increase by cutting personnel, investments and services for the general public," he declared.

Numerous cities and municipalities, particularly in the east of the country, threatened to follow the example of Berlin by quitting the employers federation and negotiate their own local arrangement. State-level politicians, including some SPD ministers, called for similar measures.

The prospect emerges of the dissolution in the public service sector of nationally agreed wage levels, in favour of local deals—a development that has been long underway in the private sector. Local deals are generally regarded as a more efficient mechanism for putting pressure on workers. In 1995 the wages and conditions of 72 percent of all workers in the former West Germany were covered by a blanket agreement. By 1990, this figure had dropped to 63 percent, with just 45 percent of all workers in the former East Germany covered.

The main argument used by all of those opposed to the public sector wage deal is that the "treasuries are empty."

It is true that the situation for the public purse is catastrophic, especially for local authorities. They are expected to run a deficit of 8 billion euros for the coming year, driving total indebtedness to 94 billion.

This state of affairs, however, is the result of political decisions taken over the last decade by the governments of both Schröder and his conservative (CDU) predecessor, Helmut Kohl, who introduced measures to reduce the financial contributions made by large companies and rich individuals to the public purse.

As a result, in 2001 the income for local authorities from commercial taxes plunged by 11.5 percent. At the same time, state and federal authorities increased their share of income from the taxes from 20 percent to 30 percent, at the expense of local municipalities.

The growth of unemployment and poverty has also hit local authorities, with a marked rise in the number of people dependent on social welfare payments. Such social expenditure has increased by more than 30 percent over the last ten years. Public expenditure on personnel, on the other hand, has stagnated since the middle of the 1990s. In relation to the gross national product, such expenditures have declined over the past 12 years from 9.5 percent to 8 percent.

Ver.di is well aware of these developments, which it deals with in its own magazine *Publik*. But the union has no alternative to offer. Under pressure from its members on one side and threats from the business community and public sector employers on the other, the union strives to intensify its collaboration with the SPD and Greens, and suppress social conflict. Many of the union functionaries are members of either the SPD or, like Chairman Bsirske, the Greens.

The reaction of the SPD-Green government to the stagnating economy, growing unemployment and increasing international tensions has been to move sharply to the right and adopt the social programme of Germany's conservative opposition. The government's labour minister, Wolfgang Clement, who is notorious for his close links to business circles, has become the new rising star of the SPD, while the Green Party is trying to out-trump Germany's "free market" liberal FDP on economic issues.

In his article for *Die Zeit* Helmut Schmidt recalled an interesting episode from the year 1974. Schmidt had just been appointed chancellor and had a personal discussion with the chairman of the public service union at that time, Heinz Kluncker of the ÖTV. The ÖTV was pursuing a campaign for a significant increase in wages, but Schmidt threatened to wage a public campaign against the union. Schmidt writes: "The result was an agreement that was justifiable economically and avoided a destructive strike."

Schmidt forgot to mention that his turn to the right in social and political matters, which he continued in the ensuing years and which corresponded to the course taken in many other countries, opened the way for the right wing: Helmut Kohl in Germany, Ronald Reagan in the US and Margaret Thatcher in Britain. In similar fashion today, the SPD and Green Party, with their attacks, supported by the unions, on wages and job conditions, are creating anew conditions for the return of the right wing.

Countering this development is a political task. It requires the construction of a new, genuinely socialist party of the working class that places the needs of the population as a whole before the profit interests of big business.